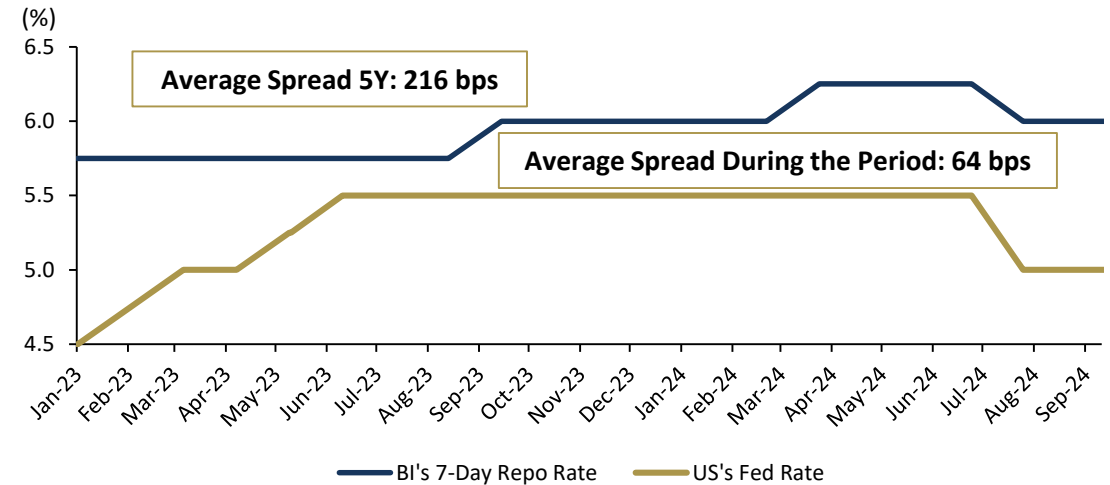


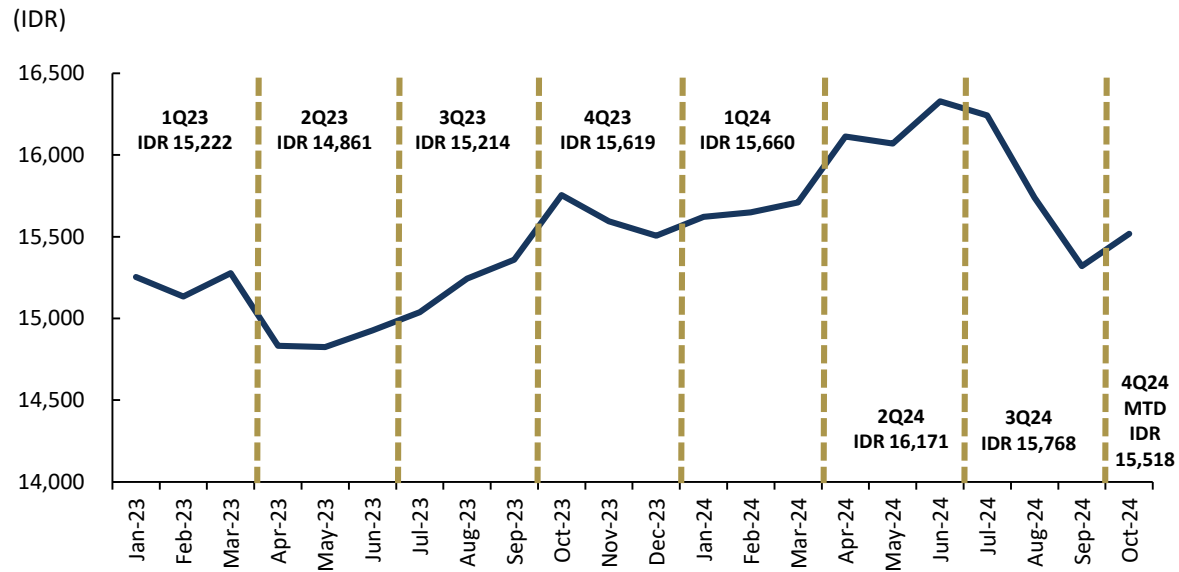
BI's 7-Day Repo Rate: 16 October 2024

- In line with our expectation, Bank of Indonesia opted to maintain its benchmark interest rate at 6% in the October meeting, underscoring a strategic focus on inflation control while promoting economic growth. This decision follows the 25 basis point cut in September, which marked the first reduction in borrowing costs since early 2021.
- By keeping the rate steady, the central bank is demonstrating prudence as the IDR has depreciated some 3% given the recent strength of the DXY on shifting market estimate of a less Fed cut rate. Unchanged BI rate balances between two key objectives: stabilizing potential imported inflation stemming from weaker IDR and concurrently supporting sustainable economic expansion. The Bank of Indonesia's economic growth forecast remains unaltered, projected at 4.7-5.5% for 2024.
- Moreover, the stability in the overnight deposit and lending facility rates at 5.25% and 6.75%, respectively, reflects a cautious approach by the central bank. This approach also signals the institution's commitment to strengthening the effectiveness of IDR exchange rate stabilization.
- Going forward, given the positive macroeconomic environment, including USD 149.9 billion in forex reserves and the 53rd consecutive trade balance surplus, BI still has room for a possible rate cut in the next meeting. However, since the Indonesian economy still faces pressures from geopolitical and geoeconomic risks, we continue to see the possibility of maintaining the status quo throughout the year. We believe that further rate cuts will require careful assessments, particularly as we head into 2025, considering that Indonesia's twin deficits are likely to widen due to increased budget spending and decreased exports, pressured by potential economic hard landings in both the US and China.

Fed Rate vs BI's Rate



Quarterly USD/IDR Rate 1Q23 – 3Q24 MTD



FX Reserves (M-o-M)

